

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2003-512

July 22, 2003

PUBLIC UTILITIES COMMISSION  
Investigation of Proposed Rate Design by  
Verizon Maine to Eliminate Multiple Rate  
Groups Through Consolidation Into a  
Single Statewide Rate Group

NOTICE OF INVESTIGATION

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

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**I. SUMMARY**

On July 9, 2003, Verizon Maine filed a proposal with the Commission to eliminate separate "rate groups" within its local exchange service rates. We open an investigation pursuant to 35-A M.R.S.A. § 1303(2) to determine whether the proposal is reasonable and should be implemented.

**II. BACKGROUND AND DESCRIPTION OF PROPOSAL**

In our recent rulemaking (Docket No. 2001-865) to amend the Basic Service Calling Area (BSCA) Rule, Chapter 204, Verizon proposed that the rule should eliminate separate rate groups within Verizon's local exchange service rates. Verizon commented that it would make sense to eliminate rate groups at the same time as implementation of the changes in BSCAs that would be mandated by the Rule.

"Rate groups" are a rate structure under which local service rates in various exchanges are based on the number of lines that a customer in that exchange can call without an interexchange toll charge, i.e., the number of lines in the customer's BSCA. The rate for customers that have a larger calling area is higher than the rates for those that have smaller calling areas. Verizon has six rate groups, A through F, as shown in the table below. The difference between the residential rates in Rate Groups A and F is \$2.90 per month.

Rate Group / # of Lines	Current Res	Current Econ	Current Res	Current Prem	Current Bus	Current Econ	Current Bus	Prem
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
RGA 0 – 1,100 lines	\$14.29		\$15.79		\$32.46		\$35.48	
RGB 1,101 – 3,600 lines	\$15.13		\$16.63		\$33.20		\$36.25	
RGC 3,601 – 11,000 lines	\$15.60		\$17.00		\$33.49		\$36.57	
RGD 11,001 – 25,000 lines	\$15.91		\$17.41		\$33.79		\$36.91	
RGE 25,001 – 50,000 lines	\$16.34		\$17.84		\$34.10		\$37.25	
RGF 50,001 and up lines	\$17.19		\$18.69		\$34.40		\$37.59	

We decided that Verizon's proposal was outside the scope of the rulemaking because there had been no public notice that we would consider such a proposal. *Public Utilities Commission, Rulemaking to Amend Chapter 204, Basic Service Calling Areas*, Docket No. 2001-865, Order Adopting Amended Rule (Dec. 10, 2003) at 5-7. We also noted that rate groups exist in any event only in Verizon's Terms and Conditions and are not required by Chapter 204. Although some independent telephone companies also have rate groups (or rates that are differentiated by the number of lines within a BSCA), their rate groups are not the same as Verizon's. Finally, the rate group issue is essentially independent of various BSCA issues. It is possible to have BSCAs with or without a rate group structure.

In our Order Adopting Rule, we encouraged Verizon to file a separate proposal, noting that we were expressing no opinion on whether we ultimately would approve the change, but indicating that "the idea [was] worth considering." We agreed with Verizon "if such a change is appropriate, it may make sense to coordinate its timing with the implementation of the BSCA changes required by this Rule." We therefore encouraged Verizon to propose any such change to its Terms and Conditions by a date that was sufficiently early to allow full consideration by interested parties and the Commission reasonably in advance of the expected date for the BSCA expansions. We stated that we would provide a full opportunity for persons interested in this issue to present their views.

Under Verizon's proposal, the elimination of rate groups would be implemented on a revenue-neutral basis, resulting in a single residential and a single business rate, for the Economy and Premium BSCA options, that would be equal to the weighted averages of the previous rates. Rates for customers in smaller rate groups would increase and rates for customers in larger rate groups would decrease. As proposed, the remaining rates would be between the present rates for Rate Groups E and F. Customers in Rate Group F (the largest rate group) would likely see a small net decrease.<sup>1</sup>

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<sup>1</sup> Chapter 288, § 3(C)(2) requires rural LECs that receive universal service funding (USF) to "establish local basic service rates that are no less than those of Verizon exchanges that have Basic Service Calling Areas of a similar size." Section 3(D)(1) states "The Commission may allow deviations from Verizon local exchange rates in individual exchanges if it is desirable to establish or preserve a rate design for a rural LEC, including disparities within and among exchanges that are a result of the operation of Chapter 204 (Basic Service Calling Areas), provided that, on an overall basis, the carrier's rates are no less than those of Verizon." Thus far, we are not aware of any USF recipient that has indicated that it wished to implement this "deviation." Accordingly, Verizon's proposal to eliminate rate groups could have the same effect on customers of the rural (independent) LECs that receive USF as it does on Verizon's customers.

### **III. NOTICE OF OPPORTUNITY TO INTERVENE AND PARTICIPATE**

Persons interested in the issues described above are hereby provided notice that they may intervene in this proceeding and/or present their views in comments and pursuant to any other procedures that may be established by the Hearing Examiner. The Commission's Rules of Practice and Procedure, Chapter 110, §§, 720-725, govern intervention (<http://www.state.me.us/mpuc/rules/part1.htm>). Petitions to intervene shall conform to the requirements of Chapter 110, § 722 and be filed by August 8, 2003. Verizon, all other incumbent local exchange carriers (independent telephone companies) and the Public Advocate shall all be parties. These entities do not need to file petitions to intervene.

A copy of Verizon's proposal is attached to this Notice, and will be available on request and at the Commission's website in "Commission Proceedings (Orders, etc.)" (<http://www.state.me.us/mpuc/ordtbl2003.htm>), listed under Docket No. 2003-512. The attachments to Verizon's proposal (which contains data and calculations that Verizon claims are confidential and proprietary) are not included. The Hearing Examiner will address the issue of claimed confidentiality in a procedural or protective order.

In presenting their views, parties should keep in mind that some of the net rate changes that apparently will occur if rate groups are eliminated would occur even if they are not eliminated, because the BSCAs for most exchanges will add additional exchanges – and additional numbers of other customers – that can be called on a toll-free basis by the end of this year. For many of the exchanges that can call more customers, the rate group would go from a lower rate group (at a lower price) to a higher rate group (at a higher price) in any event. Some exchanges are likely to change by two or more rate groups.

### **IV. COMMENTS**

We invite Parties and interested persons to file comments addressing Verizon's proposal to eliminate separate rate groups within its local exchange service rates. Comments shall be filed on or before August 22, 2003.

### **V. NOTICE**

We will issue a news release describing Verizon's proposal and the process for receiving public comment. The release will provide website URLs for this notice and Verizon's proposal and will explain in general terms the rate effects that will occur if rate groups are eliminated.

Accordingly, we provide

N O T I C E

1. That we open this investigation of the proposal by Verizon Maine to eliminate separate rate groups within Verizon's rates for local exchange service.
2. That Petitions to Intervene shall be filed by August 8, 2003.
3. That parties and interested persons shall file comments addressing Verizon Maine's proposal on or before August 22, 2003.

Dated at Augusta, Maine, this 22<sup>nd</sup> day of July, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Diamond  
   Reishus

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21** days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.